CALIFORNIA
REGIONAL ECONOMIES PROJECT

ECONOMIC PROFILE: NORTHERN SACRAMENTO VALLEY REGION

Prepared for the

CALIFORNIA
ECONOMIC STRATEGY PANEL

OCTOBER 2008

CALIFORNIA
ECONOMIC
STRATEGY
PANEL

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PREFACE

The California Economic Strategy Panel (Panel) continuously examines changes in the state's economic base and industry sectors to develop a statewide vision and strategic initiatives to guide public policy decisions for economic growth and competitiveness (see www.labor.ca.gov/panel/). The fifteen-member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and the Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Labor & Workforce Development Agency serves as the Chair.

The Panel first identified California's economy as an economy of regions in 1996. At that time, the Panel also adopted a new way of looking at industry sectors and how they function and grow as industry clusters. These new ways of looking at the economy became the basis for the analytical work completed then, and have provided a foundation for the Panel's work since that time.

The California Regional Economies Project is currently the lead research mechanism for the Panel to identify economic policy issues. The project provides the state's economic and workforce development systems with data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents an in-depth analysis of the Northern Sacramento Valley Region from 2001 to 2006, with snapshots of employment changes in 2007 and early 2008; however, this report does not cover the most recent, dynamic changes taking place in the economy, due to lag time in data availability at the detailed level used in our analyses. The most current monthly trends for California are available from the Labor Market Information Division of the Employment Development Department, at www.labormarketinfo.edd.ca.gov/?pageid=1003.

This profile provides updates to the Profile released in 2007, highlighting significant changes and key industry sectors and clusters in each region. This is briefer than past profiles and uses a different format, in an effort to make the information easier to read and faster to digest. The 2008 Profile also adds a new cluster, Housing, as we track activity in residential construction and related industries.

The statewide and eight other regional economic base reports are also available at www.labor.ca.gov/panel/. Previous economic base reports examined the 1990-2002, 2001-2004 and 2001-2005 periods. The earlier reports were the first economic base reports for the regional economies as they are defined today. The Panel's initial work, from 1994-1996, resulted in identification of six regions and provided regional economic base analyses; however, those regions were significantly redefined by 1998 into nine regions, making comparisons to the early analyses impractical.

The source of the data used for these reports is the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers, and is therefore the best to use for public policy-making, planning and program administration.

The Panel has taken steps to institutionalize the analysis and preparation of these economic base reports within State government so that this analysis may be provided on a yearly basis. Also, steps have been taken to leverage the body of knowledge that now exists around the study of industry clusters, gained through the California Regional Economies Project.

First, a non-confidential version of the data series, the *California Regional Economies Employment Series*, has been made available online by the California Employment Development Department's Labor Market Information Division (LMID) so that regional organizations may access this data at the county level. Second, a step-by-step guide, the *Industry Clusters of Opportunity User Guide,* is available online so that regional organizations can conduct industry cluster studies and work with business and industry to test and apply the findings.

With this information, regional organizations may conduct their own economic base and industry cluster analyses down to the county level, and they may combine county data to create their own sub-regional study areas. Training workshops are being held to teach the methodology and processes outlined in the *Industry Clusters of Opportunity User Guide* to representatives from Local Workforce Investment Boards, economic development organizations, the Employment Training Panel, LMID, educational institutions and programs including Community Colleges and Regional Occupational Programs, and other local jurisdictions.

The statewide and regional economic profiles, the *Industry Clusters of Opportunity User Guide* and other studies are available on the Panel's website at
www.labor.ca.gov/panel/espcrep.htm.

The *California Regional Economies Employment Series* is available online at
www.labormarketinfo.edd.ca.gov/?pageid=173.

The California Regional Economies Project is sponsored by the California Labor & Workforce Development Agency, California Employment Development Department, California Workforce Investment Board and the California Community Colleges Chancellor's Office.

NORTHERN SACRAMENTO VALLEY REGION

ECONOMIC PROFILE

October 2008

THE NORTHERN SACRAMENTO VALLEY REGION

THE NORTHERN SACRAMENTO VALLEY REGION includes five counties, as defined by the California Economic Strategy Panel (Panel): Butte, Colusa, Glenn, Shasta and Tehama.

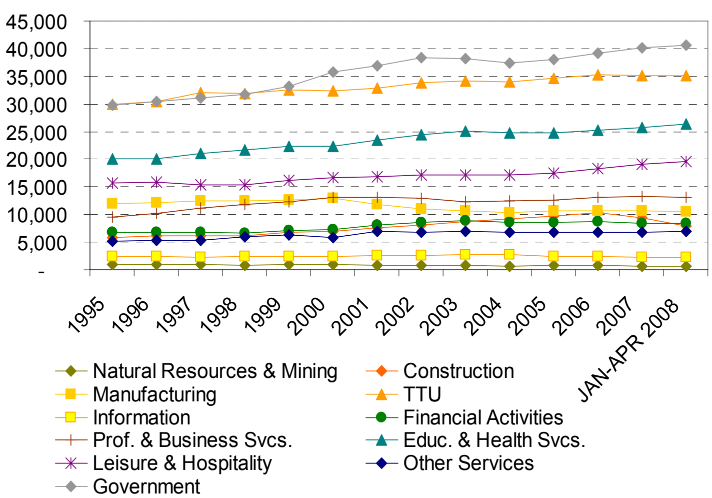
The Northern Sacramento Valley Region is the state's second smallest region based on 2006 population, with 1.4% of its population, and is the third smallest based on 2006 employment, with 1.2% of its jobs. The region experienced job growth of 6.4% from 2001 to 2006, adding over 10,800 jobs. Within the region's five counties, the preliminary unemployment rate for August 2008 ranged from 8.5% in Butte County to 10.5% in Glenn County.

From 2001 to 2006, while employment grew by 6.4%, the region's Gross Domestic Product (GDP) grew by 68.6% (data available for Butte and Shasta Counties) and Per Capita Personal Income grew by 19.3% (all counties). Construction added the most jobs, followed by All Government, Retail Trade, Accommodation & Food Service, Health Care & Social Assistance, and Professional, Scientific & Technical Services. The growth in Professional, Scientific & Technical Services was also the fastest (greatest percentage), at 36.6%. While the housing downturn had not affected growth in Construction jobs through 2006, it had affected related Housing-related Finance & Insurance, Real Estate, Professional Services and Manufacturing industries.

The Current Employment Statistics (CES) program data, which excludes Farm and Private Households employment data, shows slight growth in Nonfarm employment in 2007, and positive year-over change from April 2007 to April 2008.

Using the CES data, the following graph shows Nonfarm employment since 1995:

NONFARM EMPLOYMENT 1995-2008[1]



A SNAPSHOT OF 2007 & 2008

This snapshot uses employment estimates from the Current Employment Statistics (CES) program, which is the most current data available. The CES program is a different data source than that used for the rest of the report, and is available only at the super-sector level. We recognize that this does not capture the current capital and credit crisis that we are experiencing.

For the Northern Sacramento Valley Region, a look at 2007 data shows that the region continued to experience job growth. Overall, Nonfarm employment grew by 0.9% from 2006 to 2007, and reported positive year-over change from April 2007 to April 2008.

Growth from 2006 to 2007 was led by Other Services, Leisure & Hospitality, Financial Activities, and Educational & Health Services. At the same time, three super-sectors reported losses, including Construction, Information, and Trade, Transportation & Utilities.

Of interest, the Manufacturing sector shows slight job growth from 2006 to 2007, and again from April 2007 to April 2008. Also of note, the Other Services sector reports significant losses of 29.4% from 2001 to 2006 without the inclusion of Private Households jobs (below); whereas, when Private Households jobs are included, this sector reported growth of 11.9% (see page 2).

The following table summarizes private sector Nonfarm employment change from 2001 to 2007, and into early 2008. The employment shown here does not include employment for Agriculture or Private Households, as the CES data does not capture these industries.

NORTHERN SACRAMENTO VALLEY	2001-2006*	2006-2007	Apr07-Apr08
Total Nonfarm	4.8%	0.9%	**1.4%**
Natural Resources & Mining	-13.1%	2.6%	0.0%
Construction	36.3%	-8.9%	-12.2%
Manufacturing	-9.0%	0.1%	4.1%
Trade, Transportation, & Utilities	6.6%	-0.2%	1.6%
Information	-6.3%	-5.8%	-5.2%
Financial Activities	7.7%	3.9%	-0.2%
Professional & Business Svcs	-1.2%	1.5%	0.8%
Educational & Health Services	8.4%	2.9%	3.8%
Leisure & Hospitality	12.8%	8.1%	4.7%
Other Services	-29.4%	12.2%	3.4%
Government	6.1%	2.3%	1.2%

** The 2001 through 2006 data uses the California Regional Economies Employment Series (CREE) data source; this is generally the source of data for all employment analyses in this report, unless otherwise indicated.*

[1] The January to April 2008 data represents a four-month average.

IN RECENT YEARS 2001-2006

The rest of this report covers the period from 2001 through 2006, providing a picture of what was happening prior to, and at the start of the recent housing downturn. The data source is the Quarterly Census of Employment and Wages (QCEW) program, which releases the final annualized data about ten months after the end of each calendar year. The 2006 data was the most current available at the time of this report.

The QCEW data is available at the most detailed industry level[2], allowing an in-depth look at the industries and industry clusters during this time period. The CES data used for 2007 and 2008 was available at the super-sector level and excluded employment for the Farm and Private Households industries.

The following statistics are reported for the period of 2001 to 2006 in order to provide comparable facts for a more complete picture of the region during this period.

BUSINESS

Job Growth (2001-2006)	6.4%
Establishment Growth (2001-2006)	13.6%
GDP Growth[3] (2001-2006)	68.6%
Average Wage (2006, Private Industry)	$ 30,231
Wage Growth (2001-2006)	19.9%
Firms with < 100 employees (2006)	99.0%
Firms with < 50 employees (2006)	97.2%
Self-employed, not incorporated (2006*)	12%

** Data available for two of the five counties; Butte and Shasta.*

WORKFORCE

Unemployment Rate (2006)	6.8%
Population Growth (2001-2006)	6.3%
Per Capita Income (2006)	$ 28,074
Bachelor's Degree or higher (2006)	
-Of population age 25 and older	16.0% to 24.4%
Families Living in Poverty (2006)*	12.4%

** Data available for two of the five counties; Butte and Shasta.*

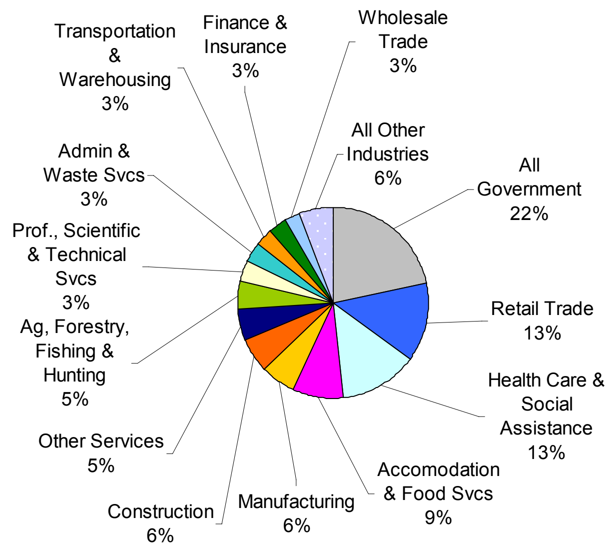
QUALITY OF PLACE

Air Quality Index (2006 Median AQI[4])	34 to 42
Average Commute Time (2006)	18.8 to 19.4 min.
Housing Opportunity Index[5] (2007)*	30.5% to 36.8%

** Data not available for one or more counties.*

NOTE: Ranges provided where data are only available by county or Metropolitan Statistical Area and a regional value cannot be calculated.

INDUSTRY COMPOSITION 2006



REGIONAL JOB GROWTH RANKING (2001-2006)

1.	San Joaquin Valley Region	9.9%
2.	Greater Sacramento Region	9.4%
3.	Southern Border Region	7.7%
4.	Southern California Region	6.5%
5.	**No. Sacramento Valley Region**	**6.4%**
	California as-a-whole	*6.1%*
6.	Central Sierra Region	5.9%
7.	Central Coast Region	3.6%
8.	Northern California Region	1.3%
9.	Bay Area Region	-5.8%

JOB GROWTH IN THE MAJOR INDUSTRY SECTORS 2001-2006 *(NAICS 2-DIGIT)* (TEN LARGEST IN BOLD)

Agriculture, Forestry, Fishing & Hunting (NAICS 11)	**-4.4%**
Mining (NAICS 21)	-17.1%
Utilities (NAICS 22)	-16.0%
Construction (NAICS 23)	**36.3%**
Manufacturing (NAICS 31-33)	**-9.0%**
Wholesale Trade (NAICS 42)	23.2%
Retail Trade (NAICS 44-45)	**9.5%**
Transportation & Warehousing (NAICS 48-49)	-9.6%
Information (NAICS 51)	-6.3%
Finance & Insurance (NAICS 52)	22.5%
Real Estate & Rental & Leasing	-12.5%
Prof., Scientific & Technical Services (NAICS 54)	**36.6%**
Mngmt of Companies & Enterprises (NAICS 55)	-22.1%
Administrative & Waste Services (NAICS 56)	**-20.8%**
Educational Services (NAICS 61)	8.4%
Health Care & Social Assistance (NAICS 62)	**8.4%**
Arts, Entertainment & Recreation (NAICS 71)	0.2%
Accommodation & Food Services (NAICS 72)	**14.7%**
Other Services (except Public Admin) (NAICS 81)	**11.9%**
All Government[6]	**6.1%**

[2] The North American Industry Classification System (NAICS), 6-digit level.

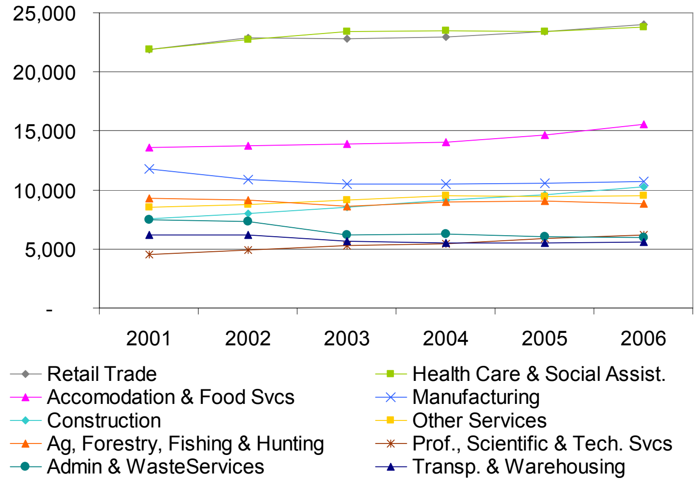
[3] GDP = Gross Domestic Product; the data is available by MSA, which is used to approximate the regional GDP, where available.

[4] An AQI value of 50 or lower is Good; 51-100 is Moderate; 101-150 is Unhealthy for Sensitive Groups; and 151 or higher is Unhealthy (includes *unhealthy*, *very unhealthy*, and *hazardous).*

[5] 4th Quarter 2007, percentage of homes in the area that would be affordable to a family making the median income.

[6] All Government represents Federal, State and Local Government, and includes a wide range of jobs, from firefighting, police, education and defense, to public services and elected officials.

JOB GROWTH FOR THE TEN LARGEST SECTORS 2001-2006



"TOP FIVE" SUB-SECTORS

TOP FIVE LARGEST SUB-SECTORS (2006)

Food Services & Drinking Places (NAICS 722)
Ambulatory Health Care Services (NAICS 621)
Hospitals (NAICS 622)
Specialty Trade Contractors (NAICS 238)
Professional, Scientific & Technical Services (NAICS 541)

TOP FIVE FASTEST GROWING SUB-SECTORS ('01-'06)

(With at least 0.005% of total employment)

Textile Mills (NAICS 313) *(a very small industry)*
Furniture & Related Product Mfg (NAICS 337)
Funds, Trusts & Other Financial Vehicles (NAICS 525)
Wholesale Electronic Markets, Agents, Brokers (NAICS 425)
Scenic & Sightseeing Transportation (NAICS 487)

TOP FIVE COMPETITIVE ADVANTAGE (LQ*) SUB-SECTORS (2006) *(With at least 0.005% of total employment)*

Forestry & Logging (NAICS 113), 15.5 LQ
Wood Product Mfg (NAICS 321), 5.1 LQ
Mining (except Oil & Gas) (NAICS 212), 2.5 LQ
Crop Production (NAICS 111), 2.5 LQ
Nonmetallic Mineral Product Mfg (NAICS 327), 2.0 LQ

* *Location Quotient (LQ) greater than 1.0 means a higher concentration of these jobs in the region than found statewide.*

TOP FIVE SUB-SECTORS WITH HIGHEST AVERAGE WAGE (2006) *(With at least 0.005% of total employment)*

Pipeline Transportation (NAICS 486)
Utilities (NAICS 221)
Securities & Other Investments & Services (NAICS 523)
Heavy & Civil Engineering Construction (NAICS 237)
Mining (except Oil & Gas) (NAICS 212)

The average annual wages range from $56.8K to $112K.

AT THE MOST DETAILED INDUSTRY LEVEL

(NAICS 6-DIGIT)

The following observations reflect what took place from 2001 to 2006 at the most detailed industry level, and may provide some insight into the economy during that period.

Change can take place quickly at this most detailed level; therefore, it is important not to base policy or program administration decisions solely only such information.

The ten largest industries based on employment size:

General Medical & Surgical Hospitals (NAICS 622110)
Full-Service Restaurants (NAICS 722110)
Limited-Service Restaurants (NAICS 722211)
Supermarkets & Other Grocery Stores (NAICS 445110)
Offices of Physicians (NAICS 621111)
Private Households (NAICS 814110)
Nursing Care Facilities (NAICS 623110)
Discount Department Stores (NAICS 452112)
Temporary Help Services (NAICS 561320)
New Car Dealers (NAICS 441110)

The ten fastest growing:
(With at least 0.005% of total employment)

Custom Architectural Woodwork & Millwork Mfg (NAICS 337212)
Payroll Services (NAICS 541214)
Residential Other Bldg Equipmt. Contractors (NAICS 238291)
Human Resources & Executive Search Svcs (NAICS 541612)
Electronic Shopping (NAICS 454111)
Educational Support Services (NAICS 611710)
Packaging & Labeling Services (NAICS 561910)
Paging (NAICS 517211)
Drilling Oil & Gas Wells (NAICS 213111)
Plastics & Rubber Industry Machinery Mfg (NAICS 333220)

The ten with the strongest competitive advantage:
(With at least 0.005% of total employment)

Rice Farming (NAICS 111160)
Oilseed & Grain Combination Farming (NAICS 111191)
Rice Milling (NAICS 311212)
Sawmill & Woodworking Machinery Mfg (NAICS 333210)
Grain & Field Bean Merchant Wholesalers (NAICS 424510)
Apiculture (NAICS 112910)
Mineral Wool Mfg (NAICS 327993)
Logging (NAICS 113310)
Sawmills (NAICS 321113)
Tree Nut Farming (NAICS 111335)

AT THE MOST DETAILED INDUSTRY LEVEL
(Continued)

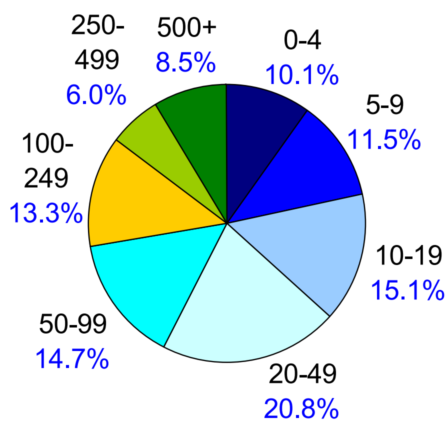
The ten highest paying industries:

Securities Brokerage (NAICS 523120), $105.1K
Musical Groups & Artists (NAICS 711130), $101.7K
Natural Gas Distribution (NAICS 221210), $81.1K
Telecommunications Resellers (NAICS 517310), $75.9K
Cable & Other Subscription Programming (NAICS 515210), $73.2K
Direct Property & Casualty Ins. Carriers (NAICS 524126), $65.6K
Engineering Services (NAICS 541330), $64.7K
Pipeline Transportation of Refined Petroleum Products (NAICS 486910), $64.3K
Other Heavy & Civil Eng. Construction (NAICS 237990), $63.4K
Land Subdivision (NAICS 237210), $63.46K

EMPLOYMENT & BUSINESS GROWTH BY SIZE OF FIRM (Private Industry)

In 2006, firms with fewer than 100 employees made up 99.0% of all businesses in the region and provided 72.1% of all jobs in the region. Firms with 500 or more employees made up 0.1% of all businesses, and provided 8.5% of all jobs.

DISTRIBUTION OF JOBS BY SIZE OF FIRM (2006)



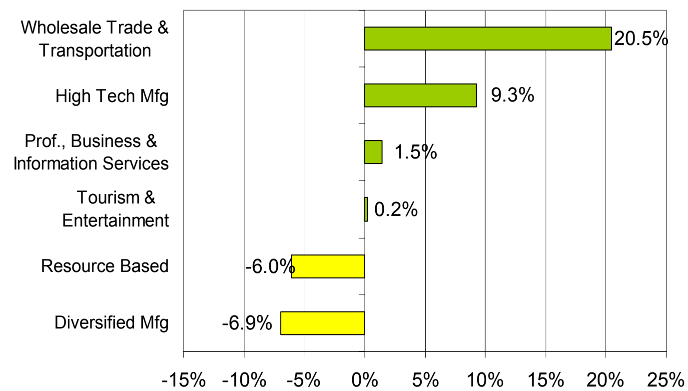
BUSINESS GROWTH BY SIZE OF FIRM (2001-2006)

Number of Employees	Growth of Jobs	Growth of Firms
0-4	8.6%	15.3%
5-9	8.1%	7.3%
10-19	8.5%	8.5%
20-49	4.1%	4.2%
50-99	1.3%	1.3%
100-249	3.1%	0.7%
250-499	6.6%	4.0%
500-999	95.7%	100.0%
1,000+	-29.4%	-33.3%

THE TRADITIONAL ECONOMIC BASE

The economic base is traditionally considered to be export-oriented industries in the study area - industries that sell a large portion of their goods or services to people and businesses in markets outside of the area. The Panel's expanded definition of the economic base includes other industries that are also important to the region. Information follows on those industries and industry clusters.

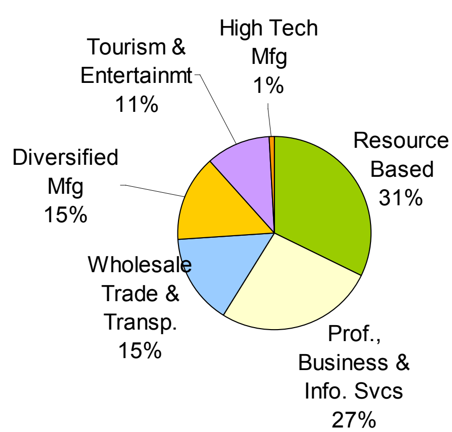
EMPLOYMENT GROWTH 2001-2006



In 2006, the region's traditional economic base provided 17.9% of all jobs in the region. Four of the six economic base sectors reported growth from 2001 to 2006. Wholesale Trade & Transportation reported the greatest number and percentage of job growth, up over 800 jobs or 20.5% (led by growth in Merchant Wholesalers of Durable Goods and Wholesale Electronic Markets & Agents & Brokers). Professional, Business & Information Services reported the second strongest growth, up over 100 jobs or 1.5% (led by growth in Management, Scientific & Technical Consulting Services).

During this period, two sectors reported losses. The Resource Based industries lost almost 700 jobs, down 6.0% (led by losses in Farm jobs and Sawmill & Woodworking Machinery Manufacturing); and, Diversified Manufacturing lost about 350 jobs, or 6.9% (led by losses in Wood Product Manufacturing and Paper Manufacturing).

DISTRIBUTION OF TRADITIONAL BASE JOBS (2006)



KEY INDUSTRY SECTORS AND CLUSTERS IN THE EXPANDED ECONOMIC BASE

MANUFACTURING

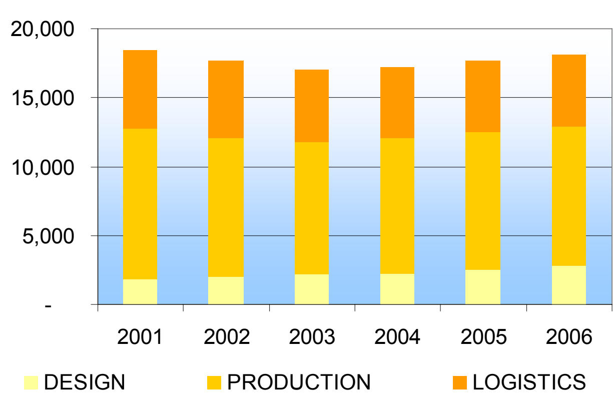
The Manufacturing sector provided 6.0% of the region's jobs in 2006, or almost 10,800 jobs. The sector reported overall job losses of 10.2% from 2001 to 2006, down almost 1,100 jobs. At the same time, the region's manufacturing GDP increased by 7.4%. Preliminary data for 2007 suggests job growth for Manufacturing from 2006 to 2007, and again in the year-over change for the month of April (2007 to 2008).

While Manufacturing as a whole suffered losses from 2001 to 2006, some of its industries reported growth. At the most detailed industry classification level (the 6-digit NAICS level), the ten fastest growing manufacturing industries, regardless of size, included Custom Architectural Woodwork & Millwork Manufacturing (Mfg); Plastics Bag Mfg; Custom Compounding of Purchased Resins; Ground or Treated Mineral & Earth Mfg; Machine Tool (Metal Forming Types) Mfg; Commercial Flexographic Printing; Lead Pencil & Art Good Mfg; Food Product Machinery Mfg; Plastics Plumbing Fixture Mfg; and, Instrument Mfg for Measuring & Testing Electricity & Electronics.

The largest industries (at the 6-digit NAICS level) included Fruit & Vegetable Canning; Sawmills; Custom Architectural Woodwork & Millwork Mfg; Wood Window & Door Mfg; Mineral Wool Mfg; Rice Milling; Breweries; Other Millwork (including Flooring); Wood Kitchen Cabinet & Countertop Mfg; and, Farm Machinery & Equipment Mfg.

Looking at the Manufacturing Value Chain industry cluster, both Production and Logistics reported losses of 7.9% from 2001 to 2006. Production, the largest component of the Manufacturing Value Chain, lost 900 jobs; Logistics lost over 400 jobs. At the same time, Design reported job growth of 51.9%, up almost 1,000 jobs.

Manufacturing Value Chain employment change 2001-2006:



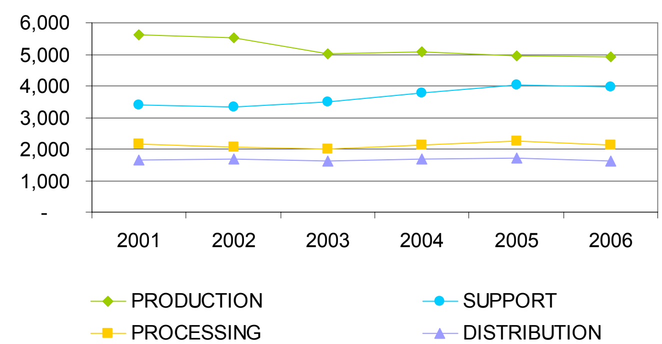
Some manufacturing jobs will not be reflected in this data, as manufacturing firms are using Employment Services, including temporary employment services, for hiring some of their workers. Those workers would be reported as part of the Employment Services industries' employment. This practice is also used by other industries.

THE FOOD CHAIN

The Food Chain cluster differs from the Agriculture, Forestry, Fishing & Hunting sector in that it includes industries involved in the production and delivery of agricultural products & services. The Food Chain cluster provided 7.3% of the region's jobs in 2006. The cluster industries are grouped into four components; Production, Support, Processing and Distribution. Production and Support were the largest components, providing 37% and 31% of the cluster's jobs, respectively. Processing provided 20% of the cluster's jobs, and Distribution provided 12%.

From 2001 to 2006, the Food Chain cluster experienced slight job losses of 0.7%, down about 90 jobs. Two components reported growth; Support grew by 18.0% (led by growth in Support Activities for Crop Production jobs), and Processing grew very slightly, up 0.4% (led by growth in Breweries jobs). At the same time, Production jobs declined by 12.2% (led by losses in All Other Crop Farming and Fruit & Tree Nut Farming), and Distribution by 1.6% (led by losses in Specialty Food Stores).

Employment change by cluster component:



The Northern Sacramento Valley Region had a higher concentration of Food Chain jobs (1.5 LQ) than found at the statewide level. Within the cluster, some industries have very high concentrations. The highest of these included Oilseed & Grain Farming (28.9 LQ); Farm Product Raw Material Merchant Wholesalers (16.5 LQ); Breweries (employment data were confidential for this industry); Farm Product Warehousing & Storage (10.6 LQ); Grain & Oilseed Milling (9.9 LQ); Other Animal Production (7.6 LQ); and Animal Aquaculture (7.1 LQ). A couple of these were very small industries, with fewer than 70 jobs.

LOGGING

A part of the Agriculture, Forestry, Fishing & Hunting sector, and not in the Food Chain cluster, the Logging industry was highly concentrated in the Northern Sacramento Valley region (19.1 LQ) and provided about 500 jobs in 2006; however, this industry continued to lose jobs, down 11.3% overall from 2001 to 2006, after a slight increase in 2002.

PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES

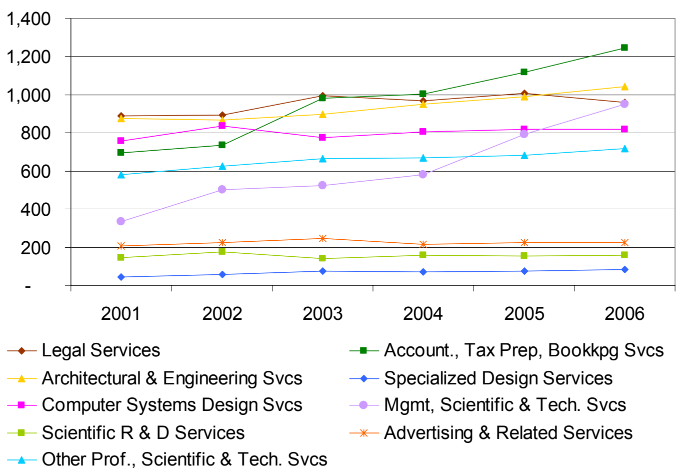
The Professional, Scientific & Technical Services sector is important for supporting entrepreneurship and innovation, and is therefore included briefly in this analysis. This sector provided 3.4% of the region's jobs in 2006, and experienced job growth of 29.4% from 2001 to 2006, up almost 1,700 jobs.

While the region had a lower overall concentration of jobs in this sector than found statewide, some industries have higher concentrations. Those with the highest concentrations included Geophysical Surveying & Mapping Services (2.3 LQ), Drafting Services (2.0 LQ), Veterinary Services (1.8 LQ), Title Abstract & Settlement Offices (1.5 LQ), and Payroll Services (1.5 LQ).

The largest industry groups were Accounting, Tax Preparation, Bookkeeping & Payroll Services and Architectural & Engineering Services, followed by Legal Services and Management, Scientific & Technical Consulting Services.

From 2001 to 2006, all industry groups (4-digit NAICS level) reported growth. Management, Scientific & Technical Consulting Services reported the greatest number and percentage of jobs added, up over 600 jobs or 183.3%.

The following graph shows employment change from 2001 to 2006 for all industry groups in the sector.



At the most detailed industry level (6-digit NAICS), the five largest industries were Offices of Lawyers, Engineering Services, Veterinary Services, Custom Computer Programming Services, and Payroll Services.

From 2001 to 2006, the five fastest growing industries (6-digit NAICS level) included Payroll Services; Geophysical Surveying & Mapping Services; Human Resources & Executive Search Consulting Services; Marketing Research & Public Opinion Polling; and, Process, Physical Distribution & Logistics Consulting Services.

HEALTH SCIENCES & SERVICES

The Health Sciences & Services industry cluster provided 12.1% of all jobs in the region, in 2006, with 11.9% of these jobs in Health Services. From 2001 to 2006, the cluster grew by 8.2%, or about 1,650 jobs.

Health Sciences

Health Sciences provided about 380 jobs, and reported the net loss of fewer than 10 jobs from 2001 to 2006. Medical Equipment & Supplies Manufacturing was the largest Health Sciences industry. The region reported no Scientific R & D Services jobs.

Health Services

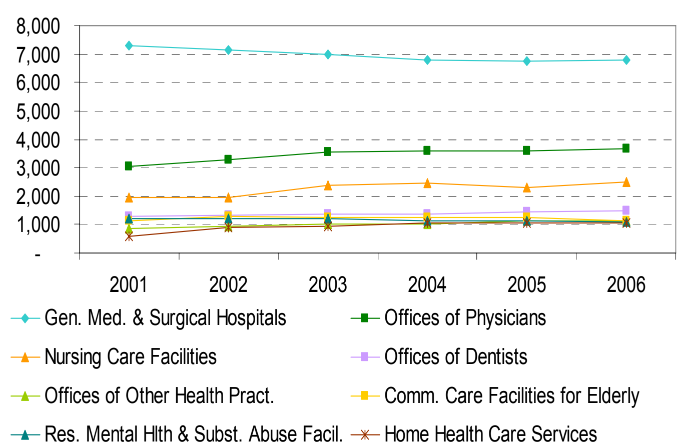
Health Services, which includes the health care industries, experienced job growth of 8.4%, up about 1,660 jobs from 2001 to 2006. The region had a higher concentration of Health Services jobs (1.5 LQ) than found statewide.

The largest industry groups included General Medical & Surgical Hospitals; Offices of Physicians; Nursing Care Facilities; Offices of Dentists; and, Offices of Other Health Practitioners.

From 2001 to 2006, Offices of Physicians added the most jobs, up over 600 jobs, followed by Nursing Care Facilities, up over 500 jobs. The fastest growth was reported by Specialty (except Psychiatric & Substance Abuse) Hospitals, up 161.5%, followed by Home Health Care Services (up 79.3%) and Other Ambulatory Health Care Services (up 52%).

At the same time, General Medical & Surgical Hospitals reported the greatest number of jobs lost, down almost 500 jobs, followed by losses in Residential Mental Health & Substance Abuse Facilities (down 120 jobs) and Vocational Rehabilitation Services (down 100 jobs).

The following graph shows employment change for the seven largest industry groups (based on 2006 employment size):



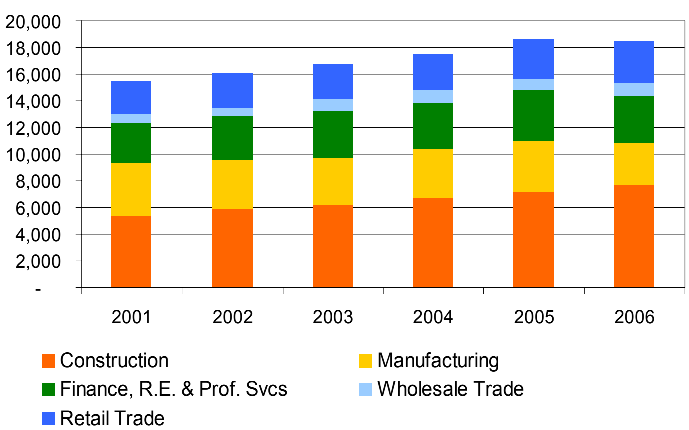
HOUSING

For the purpose of this analysis, the Housing cluster (Housing) includes industries involved in residential construction; manufacturing of construction materials; real estate financing, sales, leasing and management[7]; and, related wholesale and retail trade. As defined, this cluster provided 10.2% of the region's jobs in 2006, with almost 18,500 jobs.

Overall, Housing experienced job growth of 19.5% from 2001 to 2006. Within the cluster, Construction grew by 43.8%, or almost 2,400 jobs; Manufacturing reported losses of 21.3% (down over 800 jobs); Finance, Real Estate & Professional Services reported 18.2% growth (up about 550 jobs); Wholesale Trade grew by 44.9% (up 290 jobs); and, Retail Trade grew by 26.9% (up about 660 jobs).

Year-over Change	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Housing-related Construction	8.6%	5.7%	8.9%	7.2%	7.4%
Housing-related Manufacturing	-6.2%	-4.1%	3.2%	3.6%	-18.1%
Finance, RE & Prof. Svcs	8.7%	8.1%	-1.7%	8.2%	-5.5%
Housing-related Wholesale Trade	1.5%	24.4%	11.0%	-1.5%	5.0%
Housing-related Retail Trade	5.3%	3.0%	3.5%	7.7%	5.0%
Housing Cluster	4.0%	4.3%	4.7%	6.3%	-0.9%

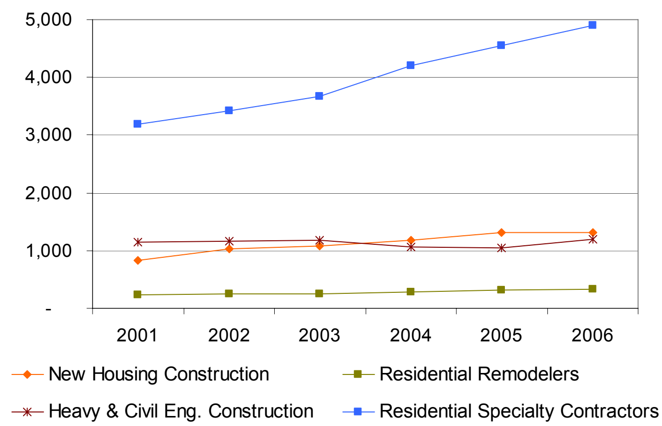
Employment change from 2001 to 2006:



Construction

Within Construction, New Housing Construction grew by over 60% from 2001 to 2006, up almost 500 jobs; Residential Remodelers grew by 44.6%; Housing-related Heavy & Civil Engineering Construction grew by 4.5%; and, Residential Specialty Trade Contractors reported growth of 53.7%.

Housing Construction employment 2001 to 2006:



Manufacturing of Construction Materials

Housing-related Manufacturing industries reported overall job losses of 21.3%, or over 800 jobs, from 2001 to 2006, led by losses in Sawmills (down almost 1,100 jobs). Four industries reported 100.0% losses, including Paper Mills, Concrete Pipe Manufacturing (Mfg), Hardware Mfg, and Air-Conditioning & Warm-Air Heating Equipment Mfg.

At the same time, eight of the ten largest Housing-related Manufacturing industries reported growth; Wood Window & Door Mfg added the most jobs, and Cut Stone & Stone Product Mfg reported the fastest growth. The following table shows employment change from 2001 to 2006 for the ten largest of these industries:

NAICS	Industry	Change '01-'06
321113	Sawmills	-48.2%
321911	Wood Window & Door Mfg	126.5%
321918	Other Millwork (incl. Flooring)	2.1%
327320	Ready-Mix Concrete Mfg	92.0%
326199	All Other Plastics Product Mfg	-39.0%
327310	Cement Mfg	3.8%
325510	Paint & Coating Mfg	33.8%
321912	Cut Stock, Resaw Lumber & Planing	9.1%
327991	Cut Stone & Stone Product Mfg	629.5%
327390	Other Concrete Product Mfg	30.9%

Finance & Insurance, Real Estate and Professional Services

Together, the Finance & Insurance, Real Estate and Professional Services industries related to Housing reported job growth of 18.2% from 2001 to 2006, although growth fluctuated year to year.

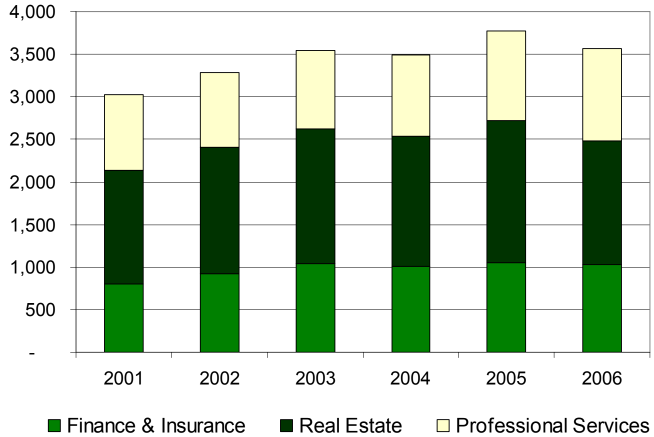
	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Year-over Change	8.7%	8.1%	-1.7%	8.2%	-5.5%

[7] A detailed definition by NAICS code is provided online at www.labor.ca.gov/panel in the document, "About the 2008 Economic Updates."

HOUSING

(Continued)

The following graph shows employment change from 2001 to 2006 for each component:



Within these sectors, the largest industry was Engineering Services, with about 650 jobs in 2006. From 2001 to 2006, Offices of Real Estate Agents & Brokers added the most jobs, up 250 jobs, and Interior Design Services reported the fastest growth, up 343.8%, although a very small industry with fewer than 40 jobs. At the same time, Lessors of Residential Buildings & Dwellings reported the most jobs lost, down about 100 jobs.

Wholesale & Retail Trade

Overall, the Housing-related Wholesale Trade industries experienced job growth of 44.9% from 2001 to 2006, up almost 300 jobs. The largest industry was Brick, Stone & Related Construction Material Wholsesalers, with about 380 jobs. This industry also added the most jobs from 2001 to 2006, up about 200 jobs. A smaller industry, Hardware Merchant Wholesalers reported the fastest growth, up 180.1%.

Overall, the Housing-related Retail Trade industries experienced job growth of 26.9% from 2001 to 2006, up over 650 jobs. The largest industry was Home Centers, with over 1,300 jobs. This industry also added the most jobs from 2001 to 2006, up over 500 jobs. A smaller industry, Paint & Wallpaper Stores reported the fastest growth, up 103.0%.

ENERGY

Energy production and usage, specifically focusing on environmentally responsible green technologies and processes, are important issues facing policy-makers, energy producers, distributors and consumers. A number of studies and discussions about the green economy were underway at the time of this report, including a study commissioned by the Economic Strategy Panel; therefore, this report does not attempt to define and analyze the green economy. Instead, readers interested in this subject are encouraged to read the study commissioned by the Panel, *Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network*, available online at www.labor.ca.gov/panel/espcrep.htm. The March 2008 draft was available at the time of this report.

"Nationally and globally, attentions are focusing on rising energy costs, questions of national energy security, worry over environmental and related societal threats as well as fears of economic slow-down. These seemingly countervailing crises might suggest that a choice must be made between doing what is good for the environment OR doing what is good for the economy.

California's green economy demonstrates that this is not the case. California's green economy is not about a handful of new industries struggling in under-developed markets. Instead, it is about the potential of new technologies combined with innovative public policy and strategic investment to stimulate the growth of new markets for environmentally sound products and services while also reinvigorating slowing markets through the widening application of new technologies across the entire economy."

"As green products and practices permeate the reaches of the economy, the discussion is no longer about the emergence of a new industry; instead it is about the transformation of the entire economy. This transformation is toward an economy that makes more efficient and sustainable use of our limited natural resources."

– *Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network, March 2008*

Readers may also want to explore the web page, *Understanding the "Green" Economy*, at www.labormarketinfo.edd.ca.gov/?pageid=1032, created by the Labor Market Information Division of the Employment Development Department. This web page provides links to a broad array of studies and activities regarding the green economy, conducted by public and private entities.

SOURCES

BUSINESS

Employment, Firm & Wage Data, Private Sector	California Regional Economies Employment Series (CREE)*
Employment Data, Government Sector	Current Employment Statistics (CES)
2007 & 2008 Employment Data	Current Employment Statistics (CES)
Size of Firm Data	EDD/Labor Market Information Division (LMID), Size of Firm Data
Self-employed (non-incorporated business)	US Census/America's Community Survey (ACS)
Gross Domestic Product (GDP)	US Bureau of Economic Analysis (BEA)

* The CREE data used for the analyses included confidential data; however, the results presented in the economic profiles do not disclose confidential data.

WORKFORCE

Unemployment Rate	California Employment Development Department (EDD)
Population Growth	US Bureau of Economic Analysis (BEA)
Educational Attainment	US Census/ACS
Median Household Income	US Census/ACS
Families Living in Poverty	US Census/ACS

QUALITY OF PLACE

Air Quality Index (AQI)	Environmental Protection Agency, AirData
Average Commute Time	US Census/ACS
Housing Opportunity Index	National Assoc. of Home Builders- Wells Fargo Housing Opportunity Index

METHODOLOGY

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic profiles analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors. The statewide and nine regional economic profiles are available at www.labor.ca.gov/panel in the document. Also online, the document, *The 2008 California Economic Profiles - Introduction & Methodology*, provides additional information about the methodology and documentation of the NAICS definitions for the industry clusters and traditional economic base industries.

DEFINITION OF AN INDUSTRY CLUSTER

An industry sector is a group of firms that are doing the same type of work, making the same type of products, or providing the same types of services. Examples include manufacturing, construction, retail trade and health care. An industry cluster is a group of interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure. They are also geographically concentrated. When identifying "industry clusters of opportunity," the Panel adds additional considerations that focus on employment opportunities for regional residents.

ABOUT THE PANEL

The California Economic Strategy Panel was established in 1993 to develop an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative planning process that examines economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project is currently the lead mechanism for these efforts.

The California Regional Economies Project offers new insight into the dynamics of California's economy. The regional perspective provides a better understand how the economy is changing, where the changes are concentrated, and what catalysts and conditions are causing those changes. It also shows how change in one region affects other regions and the state as a whole.

For more information and publications, go to the Panel's website at www.labor.ca.gov/panel/.

CALIFORNIA ECONOMIC STRATEGY PANEL